



BAKER TILLY

VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP
225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
tel 612 876 4500
fax 612 238 8900
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Regents
Concordia University
Irvine, California

We have audited the accompanying statements of financial position of Concordia University, Irvine, California, ("the University") an educational institution of The Lutheran Church-Missouri Synod as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concordia University, Irvine, California, at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 7, 2011

CONCORDIA UNIVERSITY
IRVINE, CALIFORNIA
an Educational Institution of
The Lutheran Church – Missouri Synod

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS		
	2011	2010
Cash and cash equivalents	\$ 4,701,522	\$ 760,954
Receivables		
Student accounts, net of allowance for doubtful accounts		
of \$567,000 in 2011 and \$336,000 in 2010	1,038,565	1,699,354
Contributions (Note 20)	2,800,000	4,100,000
Other	750,660	903,636
Prepaid expenses and other assets (Notes 6, 8)	1,729,043	1,823,012
Funds on deposit with bond trustee (Note 13)		1,117,500
Unamortized bond issue costs	427,223	851,871
Long-term investments (Note 7)	8,802,678	5,742,511
Beneficial interest in split interest agreements (Note 9)	1,174,902	1,021,700
Beneficial interest in perpetual funds (Note 10)	885,324	795,883
Interest in net assets of Concordia University Foundation (Note 2)	3,267,420	3,288,027
Land, buildings and equipment, net (Note 11)	62,911,590	65,770,815
TOTAL ASSETS	\$ 88,488,927	\$ 87,875,263
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,151,200	\$ 935,219
Accrued liabilities	1,956,606	2,005,986
Deferred revenue	4,920,422	4,461,840
Funds advanced by Concordia University System (Note 6)		226,258
Loans payable (Note 12)	116,441	1,856,987
Bonds payable (Note 13)	33,925,000	37,480,000
Interest rate exchange agreement liabilities (Notes 3, 18)	2,265,614	1,972,976
Total Liabilities	44,335,283	48,939,266
NET ASSETS		
Undesignated (deficit)	(3,859,850)	(8,932,770)
Net investment in property and equipment	29,413,813	29,142,686
Total unrestricted	25,553,963	20,209,916
Temporarily restricted (Note 4)	7,444,223	7,895,886
Permanently restricted (Note 4)	11,155,458	10,830,195
Total Net Assets	44,153,644	38,935,997
TOTAL LIABILITIES AND NET ASSETS	\$ 88,488,927	\$ 87,875,263

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY
IRVINE, CALIFORNIA
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The Lutheran Church - Missouri Synod

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
Comparative Totals for June 30, 2010

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING ACTIVITIES					
OPERATING REVENUES, GAINS, AND OTHER SUPPORT					
Tuition and fees	\$ 49,577,494			\$ 49,577,494	\$ 42,649,202
Less: Scholarship allowances	(13,413,114)			(13,413,114)	(13,321,955)
Net tuition and fees	36,164,380			36,164,380	29,327,247
Government and other grants	223,540			223,540	219,846
Contributions - operating		\$ 858,412		858,412	1,876,898
Interest income - cash and cash equivalents	95,280			95,280	69,081
Long-term investment income and gains allocated to operations		86,800		86,800	113,160
Sales and services of auxiliary enterprises	8,967,340			8,967,340	8,788,985
Support from (forgiveness to) Concordia University Foundation (Note 2)	88,771			88,771	(24,503)
Other income	233,961			233,961	124,442
	45,773,272	945,212		46,718,484	40,495,156
Net assets released from restrictions (Note 5)	845,233	(845,233)			
Total Operating Revenues, Gains and Other Support	46,618,505	99,979		46,718,484	40,495,156
OPERATING EXPENSES					
Educational and general					
Academic programs:					
Instruction - divisional	15,433,436			15,433,436	14,098,522
Other instructional programs	202,806			202,806	165,861
Support programs:					
Academic support	2,908,841			2,908,841	2,592,577
Student services	9,388,948			9,388,948	8,302,814
Institutional support	9,010,091			9,010,091	8,425,442
	36,944,122			36,944,122	33,585,216
Auxiliary enterprises	6,869,760			6,869,760	6,802,075
Total Operating Expenses	43,813,882			43,813,882	40,387,291
Change in Net Assets from Operating Activities	2,804,623	99,979		2,904,602	107,865
NONOPERATING ACTIVITIES					
Long-term investment activities					
Net appreciation on endowments	492,344	680,735	\$ 5,744	1,178,823	556,498
Investment income on endowments		102,072		102,072	70,776
Investment income on long-term investments		43,706		43,706	14,260
Total long-term investment income	492,344	826,513	5,744	1,324,601	641,534
Less: Long-term investment income and gains allocated to operations		(86,800)		(86,800)	(113,160)
	492,344	739,713	5,744	1,237,801	528,374
Contributions-capital giving activities and endowments		500,539	91,352	591,891	6,213,038
Change in interest in net assets of Concordia University Foundation (Note 2)		(48,702)	28,095	(20,607)	3,498
Support from Concordia University Foundation (Note 2)	113,615			113,615	470,138
Change in value of beneficial interest in split-interest agreements	(237)	51,808	110,629	162,200	98,043
Change in value of beneficial interest in perpetual funds			89,443	89,443	76,371
Accelerated amortization of bond issue cost	(388,672)			(388,672)	
Unrealized loss on interest rate exchange agreements (Note 18)	(292,638)			(292,638)	(76,185)
Reserve for settlement of lease obligation (Note 14)					(440,000)
Gain on sale of real estate (Note 12)	820,012			820,012	
Reclassifications and net assets released from restrictions (Note 5)	1,795,000	(1,795,000)			
Change in Net Assets from Nonoperating Activities	2,539,424	(651,642)	325,263	2,313,045	6,873,277
Change in Net Assets	5,344,047	(451,663)	325,263	5,217,647	6,981,142
Net Assets - Beginning of Year	20,209,916	7,895,886	10,830,195	38,935,997	31,954,855
NET ASSETS - END OF YEAR	\$ 25,553,963	\$ 7,444,223	\$ 11,155,458	\$ 44,153,644	\$ 38,935,997

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY
IRVINE, CALIFORNIA
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The Lutheran Church - Missouri Synod

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	\$ 42,649,202			\$ 42,649,202
Less: Scholarship allowances	(13,321,955)			(13,321,955)
Net tuition and fees	29,327,247			29,327,247
Government and other grants	219,846			219,846
Contributions - operating	592,006	\$ 1,284,892		1,876,898
Interest income - cash and cash equivalents	69,081			69,081
Long-term investment income and gains allocated to operations		113,160		113,160
Sales and services of auxiliary enterprises	8,788,985			8,788,985
Forgiveness to Concordia University Foundation (Note 2)	(24,503)			(24,503)
Other income	124,442			124,442
	39,097,104	1,398,052		40,495,156
Net assets released from restrictions (Note 5)	1,078,537	(1,078,537)		
Total Operating Revenues, Gains and Other Support	40,175,641	319,515		40,495,156
OPERATING EXPENSES				
Educational and general				
Academic programs:				
Instruction - divisional	14,098,522			14,098,522
Other instructional programs	165,861			165,861
Support programs:				
Academic support	2,592,577			2,592,577
Student services	8,302,814			8,302,814
Institutional support	8,425,442			8,425,442
	33,585,216			33,585,216
Auxiliary enterprises	6,802,075			6,802,075
Total Operating Expenses	40,387,291			40,387,291
Change in Net Assets from Operating Activities	(211,650)	319,515		107,865
NONOPERATING ACTIVITIES				
Long-term investment activities				
Net appreciation on endowments	514,114	42,384		556,498
Investment income on endowments		70,776		70,776
Investment income on long-term investments		14,260		14,260
Total long-term investment income	514,114	127,420		641,534
Less: Long-term investment income and gains allocated to operations	514,114	(113,160)		(113,160)
		14,260		528,374
Contributions-capital giving activities and endowments		5,898,704	\$ 314,334	6,213,038
Change in interest in net assets of Concordia University Foundation (Note 2)		(19,502)	23,000	3,498
Support from Concordia University Foundation (Note 2)	470,138			470,138
Change in value of beneficial interest in split-interest agreements	(3,470)	98,049	3,464	98,043
Change in value of beneficial interest in perpetual funds			76,371	76,371
Unrealized loss on interest rate exchange agreement (Note 18)	(76,185)			(76,185)
Reserve for settlement of lease obligation (Note 14)	(440,000)			(440,000)
Reclassifications and net assets released from restrictions (Note 5)	357,546	(357,546)		
Change in Net Assets from Nonoperating Activities	822,143	5,633,965	417,169	6,873,277
Change in Net Assets	610,493	5,953,480	417,169	6,981,142
Net Assets - Beginning of Year	19,599,423	1,942,406	10,413,026	31,954,855
NET ASSETS - END OF YEAR	\$ 20,209,916	\$ 7,895,886	\$ 10,830,195	\$ 38,935,997

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY
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Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,217,647	\$ 6,981,142
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation expense	3,131,676	3,011,519
Gain on sale of real estate	(820,012)	
Change in allowance for doubtful accounts	230,788	101,370
Unrealized loss on interest rate exchange agreement	292,638	76,185
Change in value of beneficial interest in split-interest agreements	(153,202)	(48,677)
Change in value of beneficial interest in perpetual funds	(89,443)	(76,371)
Net gains on long term investments and endowments	(1,324,601)	(515,101)
Change in interest in net assets of Concordia University Foundation, net (Note 2)	20,607	(3,498)
Write-off of bond issuance costs	388,672	
Amortization of bond issuance costs	35,976	35,976
(Increase) decrease in assets		
Student accounts receivables, net	430,001	(97,915)
Other receivables	152,978	181,924
Prepaid expenses and other assets	90,093	(585,836)
Increase (decrease) in liabilities		
Accounts payable - operations	2,409	114,430
Accrued liabilities	(49,380)	847,268
Deferred revenue	458,682	490,788
Funds advanced by Concordia University System		124,720
Contributions restricted for investment in permanent endowments	(119,447)	(337,334)
Contributions restricted for land, buildings and equipment	(500,539)	(5,898,704)
Net Cash Flows From Operating Activities	<u>7,395,443</u>	<u>4,401,886</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(1,030,083)	(1,520,133)
Proceeds from sale of real estate	1,795,839	
Proceeds from sale of long-term investments	12,094	623,803
Purchases of long-term investments	(1,748,407)	(122,892)
Net Cash Flows From Investing Activities	<u>(970,557)</u>	<u>(1,019,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for		
Investment in permanent endowments	119,447	337,334
Investment in land, buildings and equipment	1,800,539	1,798,704
(Increase) decrease in funds on deposit with bond trustee	1,117,500	(1,117,500)
Funds advanced by Concordia University System	1,250,000	11,400,000
Funds repaid to Concordia University System	(1,476,258)	(11,298,462)
Principal repayments on loans payable	(1,740,546)	(2,668,647)
Loans payable proceeds		541,861
Principal repayments of bonds payable	(3,555,000)	(1,615,000)
Net Cash Flows From Financing Activities	<u>(2,484,318)</u>	<u>(2,621,710)</u>
Net Change in Cash and Cash Equivalents	<u>3,940,568</u>	<u>760,954</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>760,954</u>	
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,701,522</u>	<u>\$ 760,954</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 1,057,092	\$ 1,126,509
Noncash investing and financing activities		
Fixed asset payables included in accounts payable	213,572	216,623

See accompanying notes to financial statements.